

# **Natural Resources Accounting**

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**Key concepts: Natural Resources Accounting, Valuation methods, incorporation of value in the national accounting, estimation of environmental costs for various sources, assessment of environmental services. Incorporation of NRA in accrual system of accounting.**

## **The Nature of Natural Resources:**

The impact and consequences of environmental factors, incidents and issues is unique in nature in as much as, it is at times; imperceptible and difficult to envisage in the short run, but has a tremendous impact on aggregation, accumulation and progression, years into the future. Destruction of forest cover may not change the climate in your lifetime, but will definitely do so in a matter of a century, if not a few decades.

Apart from this, it is also complex and difficult to measure, quantify and value in monetary/economic terms.

Before we take a closer look at Natural Resources Accounting and the various issues associated with it, we need to take a hard look at Accounting, as we know it first.

## **Principles & Basis of Accounting:**

The primary objective of accounting is to provide economic information in monetary terms for objective decision making.

The decision making process requires literally, taking stock of the existing situation. Thus what is needed is an assessment of the position of the state of affairs (a statement of assets and liabilities) and a measure of performance for a given period, by way of an income and expenditure statement.

There are other statements like statement of cash flows and changes in owners' equity which are also prepared to serve this objective.

The Basis of Accounting as we know it, have seen it, and have used it, over the years caters to the needs of two sets of users. Internal users (managers, directors, employees), who take business decisions pertaining to the enterprise, and external users (government, regulators, public, competitors, associates, workers, consumers, shareholders.), who take economic and policy decisions.

This information has to meet specific constraints, criteria and qualities.

The information should be understandable and useful for decision making in terms of relevance, reliability, comparability, and consistency. It should meet the constraints of